



FEDERAL RESERVE SYSTEM

Proposed Agency Information Collection Activities; Comment Request

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice.

SUMMARY: The Board of Governors of the Federal Reserve System (Board or Federal Reserve) invites comment on a proposal to revise the FR Y-7Q by collecting fourteen new data items to monitor compliance with enhanced prudential standards for foreign banking organizations (FBOs) adopted pursuant to Subparts N and O of Regulation YY (12 CFR part 252). The proposal would require an FBO with total consolidated assets of \$50 billion or more to report the new data items in order to determine whether the FBO meets capital adequacy standards at the consolidated level that are consistent with the Basel capital framework.

On June 15, 1984, the Office of Management and Budget (OMB) delegated to the Board authority under the Paperwork Reduction Act (PRA) to approve of and assign OMB control numbers to collection of information requests and requirements conducted or sponsored by the Board. In exercising this delegated authority, the Board is directed to take every reasonable step to solicit comment. In determining whether to approve a collection of information, the Board will consider all comments received from the public and other agencies.

DATES: Comments must be submitted on or before [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: You may submit comments, identified by *FR Y-7N*, *FR Y-7NS*, or *FR Y-7Q* by any of the following methods:

- Agency Website: <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <http://www.federalreserve.gov/apps/foia/proposedregs.aspx>.
- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- E-mail: regs.comments@federalreserve.gov. Include OMB number in the subject line of the message.
- FAX: (202) 452-3819 or (202) 452-3102.
- Mail: Robert deV. Frierson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW, Washington, DC 20551.

All public comments are available from the Board's website at <http://www.federalreserve.gov/apps/foia/proposedregs.aspx> as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper form in Room MP-500 of the Board's Martin Building (20th and C Streets, NW) between 9:00 a.m. and 5:00 p.m. on weekdays.

Additionally, commenters may send a copy of their comments to the OMB Desk Officer – Shagufta Ahmed – Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235 725 17th Street, NW, Washington, DC 20503 or by fax to (202) 395-6974.

FOR FURTHER INFORMATION CONTACT:

Board Clearance Officer – Nuha Elmaghrabi – Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3829.

Telecommunications Device for the Deaf (TDD) users may contact (202) 263-4869, Board of Governors of the Federal Reserve System, Washington, DC 20551.

A copy of the PRA OMB submission, including the proposed reporting form and instructions, supporting statement, and other documentation will be placed into OMB’s public docket files, once approved. These documents will also be made available on the Board’s public website at: <http://www.federalreserve.gov/apps/reportforms/review.aspx> or may be requested from the agency clearance officer, whose name appears below.

SUPPLEMENTARY INFORMATION:

Request for comment on information collection proposal

The Board invites public comment on the following information collection, which is being reviewed under authority delegated by the OMB under the PRA. Comments are invited on the following:

- a. Whether the proposed collection of information is necessary for the proper performance of the Federal Reserve's functions, including whether the information has practical utility;
- b. The accuracy of the Federal Reserve's estimate of the burden of the proposed information collection, including the validity of the methodology and assumptions used;
- c. Ways to enhance the quality, utility, and clarity of the information to be collected;
- d. Ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and
- e. Estimates of capital or startup costs and costs of operation, maintenance, and purchase of services to provide information.

Proposal to approve under OMB delegated authority the extension for three years, with revision, of the following report:

Report title: Financial Statements of U.S. Nonbank Subsidiaries Held by Foreign Banking Organizations, Abbreviated Financial Statements of U.S. Nonbank Subsidiaries Held by Foreign Banking Organizations, and Capital and Asset Report for Foreign Banking Organizations.

Agency form number: FR Y-7N, FR Y-7NS, and FR Y-7Q.

OMB control number: 7100-0125.

Frequency: Quarterly and annually, beginning with the reporting period ending on September 30, 2016, and, for some items, March 31, 2018.

Reporters: Foreign banking organizations (FBOs).

Estimated annual reporting hours: FR Y-7N (quarterly): 1,170 hours; FR Y-7N (annual): 218 hours; FR Y-7NS: 40 hours; FR Y-7Q (quarterly): 1,360 hours; FR Y-7Q (annual): 32 hours.

Estimated average hours per response: FR Y-7N (quarterly): 6.8 hours; FR Y-7N (annual): 6.8 hours; FR Y-7NS: 1 hour; FR Y-7Q (quarterly): 2.5 hours; FR Y-7Q (annual): 1 hour.

Number of respondents: FR Y-7N (quarterly): 43; FR Y-7N (annual): 32; FR Y-7NS: 40; FR Y-7Q (quarterly): 136; FR Y-7Q (annual): 32.

General description of report: The FR Y-7Q collects consolidated regulatory capital information from all FBOs either quarterly or annually. The FR Y-7Q is filed quarterly by FBOs that have effectively elected to become U.S. financial holding companies (FHCs) and by FBOs that have total consolidated assets of \$50 billion or more, regardless of FHC status. All other FBOs file the FR Y-7Q annually. The FR Y-7N and FR Y-7NS collect financial information for non-functionally regulated U.S. nonbank subsidiaries held by FBOs other than through a U.S. bank holding company (BHC), FHC, or U.S. bank. FBOs file the FR Y-7N quarterly or annually or the FR Y-7NS annually predominantly based on asset size thresholds.

This information collection is mandatory pursuant to section 5(c) of the Bank Holding Company Act (12 U.S.C. § 1844(c)) and sections 8(c) and 13 of the International Banking Act (12 U.S.C. §§ 3106(c) and 3108)). Section 165 of the Dodd-Frank Act, (12 U.S.C. § 5365), directs the Federal Reserve to establish enhanced prudential standards for certain companies, including certain FBOs. The data may not be confidential in all cases. However, individual respondents may request confidential treatment for any of these reports pursuant to sections (b)(4) and (b)(6) of the Freedom of Information Act (5 U.S.C. §§ 522(b)(4) and (b)(6)). The applicability of these exemptions would be determined on a case-by-case basis. In addition, items 8.b and 8.c in Part 1B of the FR Y-7Q involve disclosure of capital buffers imposed by an FBO's home country supervisor. While some home country supervisors do not accord confidential status to that information or do so only on a case-by-case basis, others treat this information as confidential on a blanket basis under the belief that a more selective confidential treatment could signal an FBO's financial strength or weakness and could thereby cause substantial competitive harm. Because the information on items 8.b and 8.c may or may not be public depending on the FBO's home country, the Federal Reserve would grant confidential status, pursuant to FOIA exemption 4, only on a case-by-case basis.

The Federal Reserve proposes to revise the FR Y-7Q by collecting fourteen new data items to monitor compliance with enhanced prudential standards for FBOs adopted pursuant to Subparts N and O of Regulation YY. The new data items would be used to determine whether an FBO with total consolidated assets of \$50 billion or more meets capital adequacy standards at the consolidated level that are consistent with the Basel capital framework. The proposed revision would be effective September 30, 2016, and, for some items, March 31, 2018.

Regulation YY requires an FBO with total consolidated assets of \$50 billion or more to certify to the Federal Reserve that it meets capital adequacy standards on a consolidated basis, as established by its home-country supervisor, that are consistent with the regulatory capital framework published by the Basel Committee on Banking Supervision (BCBS), as amended from time to time (Basel capital framework). This requirement was intended to help ensure that the consolidated capital base supporting the activities of U.S. branches and agencies remains strong, and to lessen the degree to which weaknesses at the consolidated foreign parent could undermine the financial strength of its U.S. operations.

The proposal would require an FBO with total consolidated assets of \$50 billion or more to complete a new section, Part 1B, effective September 30, 2016 (with three of the proposed items effective March 31, 2018). Proposed Part 1B would contain 14 items related to home country regulatory capital ratios that would be reported on a quarterly basis. The value of each of these items would be calculated on a consolidated basis according to the methodologies established by the FBO's home-country supervisor that are consistent with the Basel capital framework, as defined in Regulation YY.¹ If the home-country supervisor has not established capital adequacy standards consistent with the Basel capital framework, the value of these items would be calculated on a pro-forma basis as if the FBO were subject to such standards.

The proposed line items that would be effective September 30, 2016, include:

(1) Common equity tier 1 capital, (2) Additional tier 1 capital, (3) Tier 1 capital (sum of items 1

¹ See 12 CFR part 252.143 and 252.154.

and 2), (4) Tier 2 capital, (5) Total risk-based capital (sum of items 3 and 4), (6) Capital conservation buffer, (7) Countercyclical capital buffer, (8) Other applicable capital buffer(s) (a) GSIB/DSIB buffer, (b) Pillar II buffer, (c) “Other” buffer, (9) Compliance with restrictions on capital distributions and discretionary bonus payments associated with a capital buffer.

The proposed line items that would be effective March 31, 2018, include: (10) Home country capital measure used in the numerator of the leverage ratio as set forth in the Basel capital framework, (11) Home country exposure measure used in the denominator of the leverage ratio as set forth in the Basel capital framework, (12) Minimum home country leverage ratio (if different from the leverage ratio in the Basel capital framework, as applicable).

Part 1A of the current FR Y-7Q form, which applies to all FBOs, collects tier 1 capital, total risk-based capital, risk-weighted assets, total consolidated assets and total combined assets of U.S. operations, net of intercompany balances and transactions between U.S. domiciled affiliates, branches, and agencies, and total U.S. non-branch assets. While the Federal Reserve does not propose to change existing items reported in Part 1A of the FR Y-7Q, the proposal would modify the instructions to clarify that an FBO would be required to report Tier 1 capital and Total risk-based capital only on Part 1B, if the FBO’s home country methodologies are consistent with the Basel capital framework.

The proposal would not revise the reporting frequency for the FR Y-7Q. FBOs with total consolidated assets of less than \$50 billion and that are not FHCs would only file Part 1A on an annual basis. FBOs who have elected to become FHCs and do not have \$50 billion or more in

total consolidated assets will file Part 1A on a quarterly basis. FBOs with total consolidated assets of \$50 billion or more would complete both Part 1A and Part 1B on a quarterly basis.

As noted above, the Federal Reserve would propose to determine confidentiality of the proposed items on a case-by-case basis. However, the Federal Reserve notes that some jurisdictions may treat this information as confidential on a blanket basis under the belief that a more selective confidential treatment could signal an FBO's financial strength or weakness and could thereby cause substantial competitive harm. The Federal Reserve seeks comment on whether these items should qualify for confidential treatment in all cases, such that treating this information as confidential on a blanket basis would be appropriate.

The FR Y-7N and FR Y-7NS are not being revised at this time. However, the estimated number of respondents is expected to decrease as a result of the designation of U.S. intermediate holding companies (IHCs) and recent proposed reporting requirements for the IHCs.²

Board of Governors of the Federal Reserve System, March 30, 2016.

Robert deV. Frierson,
Secretary of the Board.

Billing Code 6210-01-P

² 81 FR 6265 (February 5, 2016).

